

# Utah Credit Union Association **2015 Annual Report**



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# 82nd Annual Business Meeting Agenda

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April 29, 2016

Pledge of Allegiance..... Stephen Nelson

Call to Order..... Chairman Adamson  
(Report of the Credentials Committee  
with supplementary reports from time to  
time as directed by the Chairman)

Introduction of Board and Guests ..... Chairman Adamson

Reading of the Minutes of the 81st Annual Meeting ..... Secretary Hirabayashi  
(unless dispensed with by motion)  
and all action thereon

Committee Reports

Articles of Incorporation Amendments

Report of the Election Committee

Other Business..... Chairman Adamson

CUNA Mutual Report ..... Brye Austin

Alloya Report..... John Collins

Report of the Chair..... Chairman Adamson

Report of the President ..... Scott Simpson

Adjournment..... Chairman Adamson

# 2015 Board of Directors

## Board Chair



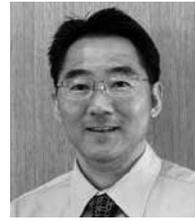
**Todd Adamson**  
Cyprus CU  
*Large asset size category*

## Vice Chair



**Randy Gailey**  
Horizon CU  
*Large asset size category*

## Secretary



**Dean Hirabayashi**  
National J.A.C.L. CU  
*At-Large category*



**Brad Barber**  
Members First CU  
*At-Large category*



**Thomas Gourdin**  
Firefighters CU  
*Medium asset size category*



**Kent Greenfield**  
Education First CU  
*Small asset size category*



**Shane London**  
Deseret First CU  
*Large asset size category*



**John Lund**  
America First CU  
*\$2 billion+ asset size category*



**Mike Milovich**  
Eastern Utah Community CU  
*Medium asset size category*



**Sterling Nielsen**  
Mountain America CU  
*At-Large category*



**Ken Payne**  
Freedom FCU  
*Small asset size category*

Asset category sizes:  
Small—up to \$50 million  
Medium—\$50 million to \$200 million  
Large—\$200 million to \$2 billion  
\$2 billion—more than \$2 billion

# Utah Credit Union Association Staff



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## Message from the Chairman

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While 2015 may be remembered at the Utah Credit Union Association as The Year the Association Finally Moved Offices, plenty more happened that's worth reflecting on.

A major development in the Association landscape was the move to formally de-couple CUNA from state leagues. Our Association board opposed this effort, because it felt that a strong national advocacy system would be easier to maintain with a formal agreement between CUNA and leagues. Regardless of the outcome, which came in early 2016, our Association remains committed to working with CUNA and strengthening that relationship. If we want a strong national advocacy system—which we do—there must be national and state elements, and they must all work closely together. We're dedicated to making this happen even in the face of industry change.

The good news is that advocacy does work.

For example, early in the year NCUA released a second draft of its proposed risk-based capital rule. The fact that it even provided a second opportunity to comment is quite a victory, and the way that the rule changed from the first to second draft proved that regulatory advocacy works. We still don't love the rule, but at least it's no longer a 6" shiv in our backs.

NCUA also proposed a new rule for field of membership and member business lending (and in early 2016 approved the final rule for member business lending.) Both of these rules provided some degree of relief for credit unions, I think largely due to the

regulatory advocacy that our system has been pursuing for several years. Make no mistake—it didn't happen overnight. But the extended noise we've made with NCUA has made a difference.

Another example of how advocacy works was found in our state legislature. When an out-of-state tech firm decided to operate in Utah, our state league was there to work with other interested parties to make sure credit union interests were protected in the legislature. In fact, of all 50 states in the union, ours was the only one to beat back the aggressive young tech company, and protect our credit unions.

Advocacy works. It's the primary job of our Association. I'm confident that as long as we continue to work together, our advocacy efforts can continue to pay off. And our great new location, suitable for hosting policy makers, will certainly help that process.

Todd Adamson  
Utah Credit Union Association Board Chair  
President/CEO, Cyprus Federal Credit Union



## Message from the President

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2015 was a pretty good year.

Utah credit unions exceeded national averages across multiple performance categories. For example, outstanding loan balances expanded 15.0% year-over-year in comparison to the national average of 10.5%. More impressively, every major loan category posted an annual increase of at least 7.0%, with new auto loans expanding the fastest, at 28.0%. First mortgage originations surged 36.3% year-over-year, helping push total originations to 19.0% annual growth. These factors helped total revenue increase 11.1%, compared with the national average of 6.7%.

In the face of this rosy report, you well know that it's difficult to manage a credit union. The competitive environment is tough enough within credit unions, never mind the threat from banks and the wild west of the fintech world. Crushing regulation from every corner adds to normal everyday pressure on margins. Keeping the doors open requires daily effort and stress.

I'll end with more good news. The reason we're different and better.

Not everyone gets to work for a company or industry whose core mission and a business structure are in near perfect alignment.

There are those that say credit unions aren't what they used to be. In some ways that's true. But because of this business structure and mission alignment, credit unions continue their noble legacy of people helping people find economic opportunity, peace and freedom.

As your trade association, we are thrilled to defend what you do!

Scott Simpson  
President/CEO



# Report of Legal Counsel

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We are pleased to report on the status of legal matters affecting the Utah Credit Union Association and its subsidiary, Credit Union Service Corporation (CU-Serve). The Association and CU-Serve are not parties to any adverse litigation nor are there any claims pending against either entity. The Association has joined with other state credit union Associations to seek injunctive relief for credit unions in the Home Depot data breach litigation. If successful, the lawsuit would require Home Depot to affirmatively take steps to protect private information of credit union members.

2015 saw a continuation of lower delinquencies and charge offs at credit unions. Bankruptcy filings in Utah declined by about 1,600 cases in 2015. Chapter 7 and Chapter 13 filings in Utah for 2014 totaled 13,707. Chapter 7 and Chapter 13 filings in 2015 totaled 12,101. Through March 2016, there have been 2,719 Chapter 7 and 13 filings. The trend in filings continues downward from a 2011 high of 18,414. Lower bankruptcy filings are always good news for credit unions.

Utah's economy continues to remain positive. Employment remains relatively strong. Real estate prices are increasing. The inventory of unsold homes from the recession has largely been eliminated.

Consumer Financial Protection Bureau regulations are now in place. Meeting the regulatory burden of these changed regulations presents new challenges for credit unions. The recently completed Utah legislative session made some changes that will affect credit union operations.

We appreciate our opportunity to represent the Utah Credit Union Association, CU-Serve and many credit unions. We hope to be part of the solution to the challenges and problems faced by credit unions. We look forward to 2016 being a prosperous year for Utah's credit unions and their members.

BRUCE L. RICHARDS & ASSOCIATES  
Bruce L. Richards

# Governmental Affairs Report

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2015 seems like it happened a year ago. With the 2016 Utah Legislature ending last month, I must attempt to remember further back to the previous legislative session. Thus, the facts may have changed, but the names and faces remain the same...

Our biggest state legislative battle in 2015 happened near the end of the legislative session. We had concerns with a bill that did not require Uber to carry comprehensive and collision insurance for their driver's during a certain time period when they were considered "on-the-clock." Uber was unresponsive to our concerns, so we had to take more drastic action. We were able to add a provision in a different insurance bill that would require this insurance, should the Uber bill pass. Turns out the Uber bill passed, and the insurance provision took effect. It was strategic and unconventional, and it worked.

On the national level, Utah's credit unions continue to have good relationships with our federal delegation and their respective staffs. The 2015 GAC had the mishap of being scheduled when the House of Representatives was in recess. Despite the inconvenience of House Members being away from D.C., we were still able to have good and effective visits with their staff.

Our Utah delegation has an unusual amount of clout in Washington, D.C. With Senator Orrin Hatch chairing the Senate Committee on Finance; Senator Mike Lee chairing Subcommittees on Judiciary, and Energy and Natural Resources Committees; Congressman Rob Bishop chairing the House Natural Resources

Committee; Congressman Chris Stewart on the powerful House Appropriations Committee; Congressman Jason Chaffetz chairing the House Oversight Committee; and Congresswoman Mia Love assigned to the House Financial Services Committee; all of these assignments mean our state and our credit unions are in good and influential hands. Additionally, our credit unions are well regarded by our federal representatives.

In an effort to continue strengthening relationships with our credit unions and policy makers, we have been scheduling visits with credit union executives and their individual legislators.

These visits have been very beneficial for us, as well as the legislators. It is much easier to get and keep the ear of a legislator when they are visiting with their actual constituents. Scheduling can be difficult, but we will continue push for these visits. The players often change, but the issue does not. We need to make sure our policy makers understand the importance of credit unions to our communities. If I have not hassled you to do this yet, and you would like to meet with your representatives, please get in contact with me.

With 2015 completed, 2016 looks to be an "interesting" year as far as politics are concerned. If you don't know what I'm referring to, I commend you. For the rest of us, hold on tight!

Shule Bishop  
Director of Legislative and Political Affairs

# Report of the Karl S. Little Foundation

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The Karl S. Little Foundation provides scholarship monies to assist member credit union employees that attend Western CUNA Management School; thereby improving their financial skills and ability to assist credit union members.

The financial condition of the foundation is sound as of December 31, 2015, with assets totaling \$103,012.89 less a pending reimbursement due to the Association for scholarships paid.

The annual Karl S. Little Tournament was held in August of 2015. Credit Unions from across the State met at Valley View Golf Course in Layton, Utah. The turnout was exceptional, as we filled the golf course. Total proceeds amounted to \$15,095.88. We express our sincere thanks and appreciation to all who contributed to the event.

The Karl S. Little Tournament will be held again during 2016, on Monday, August 8th at Valley View Golf Course in Layton, Utah.

Please mark your calendar and save the date now.

Scholarships totaling \$12,850.50 were provided to credit union employees from several credit unions in 2015 to assist with their attendance at Western CUNA Management School.

We encourage credit unions that may not have the means to send their employees to Western CUNA Management School to apply for the scholarship. It is preferred that only one application per Credit Union be submitted, so the benefit can be provided more uniformly amongst our members. We also encourage Credit Unions that have a solid bottom line and can afford to provide this education for their prospective or current management employees to do so.

Respectfully submitted,

Randy Gailey  
Chairman

# Report of the Education Committee

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Welcome to the Utah Credit Union Association Annual Meeting and Convention. Here's hoping you are enjoying the "Cruise" theme and taking advantage of all of the "port excursions" and training. While this Annual Meeting and Convention is a very important part of the responsibilities of the Association Education Department and Education Committee, it is just the "tip of the iceberg" when it comes to the value provided to member credit unions by our Association.

Training and education options are varied and provide solid opportunities for you to "get on board" with the latest information and insights into all things financial. The Association Education Department, skillfully managed by Marilyn Pearson, continues to look for top notch programs and training opportunities that are of excellent quality and value. Throughout the year the Association provides a variety of webinars, breakouts, classes and forums to help every credit union, regardless of size, to benefit in a big way. All this while trying to keep "port charges" at a minimum, thus maximizing your education dollars.

The ever popular pre-purchased training certificates allow for credit unions to participate in numerous one-day training events at exceptional prices. And the web based and telephone seminars throughout the year continue to provide a wide range of opportunities and topics, without leaving the comfort of your individual "cabin," if you so desire.

I have appreciated the opportunity to work with an amazing "crew" of capable, experienced people from credit unions throughout the state as they lend their expertise in structuring these training opportunities. Once again I would like to thank each of them for their willingness to volunteer their time and expertise.

As always, there is no way this level of training and education would "set sail" were it not for the Association staff that makes the education of credit union "passengers" a priority. Please be sure to take a moment and extend a big thank you to each of them as you see them on deck during the Convention, and at other events throughout the year. And, as noted, a special thanks to our "Cruise Director", Marilyn Pearson, for the countless hours she spends making this event, and every event, an amazing journey.

If you ever have suggestions or ideas for future training options, or "exotic venues" we haven't yet experienced, we would love to receive your feedback. We want to be sure the training you receive is "ship-shape" and worthwhile.

With that, "Hit the Deck" and enjoy this year's Utah Credit Union Association Annual Meeting and Convention!

Respectfully submitted,

Brad Barber  
Education Committee Chair

# Report of the Credit Union Development Committee

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In 2015 the Utah Credit Union Association continued its efforts to help small credit unions through the Quantum Group, an organization meant specifically to help credit unions with assets under \$50 million.

Early in the year, the Quantum Group's efforts included Sub Quantum Groups. These were meant to be small networking teams for presidents of small credit unions, which would meet online for a short period each month. The idea was to provide them with an opportunity to share ideas and help each other. Unfortunately, presidents of small credit unions proved too busy to fully utilize the groups, and about midway through the year the groups disbanded.

As an alternative, the Quantum Group began to hold short webinars that would provide member credit unions with critical information on timely topics. The webinars, called Accelerating Issues Webinars, addressed topics such as cyber security, EMV, and business continuity planning.

The Quantum Group also held three round tables throughout the year (including one online round table) and the Quantum Group Conference. Round tables are designed to be networking events where credit unions can discuss any topic they like, and obtain assistance and ideas from peers. The Quantum Group Conference featured speaker Bob Treadway, who discussed the challenges credit unions face, and tools available to help small credit unions meet those challenges.

In 2016, through the Quantum Group, the Credit Union Development Committee will continue to strive to find creative ways to assist small credit unions develop their business and success. This will be accomplished through further round tables, webinars, and the Quantum Group Conference, to be held in the Fall.

Respectfully submitted,

Ken Payne  
Chair

# Independent Auditor's Report

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Audit Committee of the Board of Directors of  
Utah League of Credit Unions  
Salt Lake City, Utah

We have audited the accompanying consolidated financial statements of Utah League of Credit Unions, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related consolidated notes to the financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Utah League of Credit Unions as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Bierwolf & Nilson PLLC  
Bountiful, Utah  
April 5, 2016

## Consolidated Statements of Financial Position

Utah League of Credit Unions and Subsidiary  
December 31, 2015 and 2014

### ASSETS

	2015	2014
<b>CURRENT ASSETS</b>		
Cash on deposit with member credit unions	\$ 2,735,013	\$ 3,237,414
Accounts receivable	226,804	198,657
Income tax refund receivable	9,555	—
Prepaid income taxes	—	75
Prepaid expenses	69,655	24,206
Total current assets	<u>3,041,027</u>	<u>3,460,352</u>

### PROPERTY AND EQUIPMENT

Furniture and equipment	199,288	518,839
Automobiles	110,561	101,451
Leasehold improvements	—	18,248
Less accumulated depreciation	(81,215)	(538,940)
Property and equipment - net	<u>228,634</u>	<u>99,598</u>

### OTHER ASSETS

Deferred tax asset	34,540	34,540
Club membership	7,500	7,500
Prepaid expenses	365,655	—
Investment in affiliates, at cost	162,517	162,517
Total other assets	<u>570,212</u>	<u>204,557</u>

\$ 3,839,873    \$ 3,764,507

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accrued payables and accrued liabilities	\$ 129,572	\$ 118,033
Pension liability - current	92,956	—
Grants payable	43,189	45,187
Total current liabilities	<u>265,717</u>	<u>163,220</u>

#### PENSION LIABILITY

278,869    324,978

#### UNRESTRICTED NET ASSETS

3,295,287    3,276,309

\$ 3,839,873    \$ 3,764,507

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Activities

Utah League of Credit Unions and Subsidiary  
December 31, 2015 and 2014

	2015	2014
<b>SUPPORT AND REVENUES</b>		
Membership dues	\$ 1,389,326	\$ 1,283,103
Service fees	290,445	225,356
Communications and marketing	611,115	772,617
Interest income	10,823	11,185
Rent income	20,845	—
Other income	5,152	—
Gain on sale of assets	—	435
Total support and revenues	<u>2,327,706</u>	<u>2,292,696</u>

### EXPENSES

Direct costs:		
Direct service cost	70,485	109,738
Program expenses:		
Marketing and service cost	352,915	361,047
Legislation and political action	696,638	608,703
Communications	121,496	159,386
Education	191,431	172,004
General supporting expenses	885,318	848,074
Total expenses	<u>2,318,283</u>	<u>2,258,952</u>
Loss on disposal of equipment	—	2,902

### CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES

9,423    30,842

### PROVISION FOR INCOME TAX (EXPENSE) BENEFIT INCREASE IN NET ASSETS

9,555    (1,189)  
18,978    29,653

### NET ASSETS BEGINNING OF YEAR

3,276,309    3,246,656

### NET ASSETS END OF YEAR

\$ 3,295,287    \$ 3,276,309

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

Utah League of Credit Unions and Subsidiary  
December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ 18,978	\$ 29,653
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	—	(2,648)
Depreciation	37,332	26,463
(Gain) loss on disposal of property	(5,152)	2,902
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(28,147)	1,398
(Increase) decrease in prepaid expenses	(411,029)	(2,569)
(Increase) in income tax refund receivable	(9,555)	—
Increase in pension liability	46,847	43,238
Increase (decrease) in accounts payable and accrued liabilities	9,541	8,991
Net cash provided (used) by operating activities	(341,185)	107,428
<b>CASH FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(161,216)	(10,930)
Net cash provided (used) by investing activities	(161,216)	(10,930)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(502,401)	96,498
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,237,414	3,140,916
End of year	\$ 2,735,013	\$ 3,237,414

See Notes to Consolidated Financial Statements.

## Consolidated Supplemental Schedule of Expenses

Utah League of Credit Unions and Subsidiary  
December 31, 2015 and 2014

	2015	2014
Salaries and benefits	\$ 1,118,186	\$ 1,056,918
Direct service costs	70,485	109,738
Rent	173,236	128,259
Direct communication expense	31,062	65,432
Travel	27,319	46,705
Depreciation	37,332	26,464
Materials and supplies	57,330	47,360
Outside services	60,466	73,015
Taxes	4,538	1,434
Public relations and advertising	32,489	56,713
Direct legislative expense	228,867	249,466
Political action	80,000	—
Contributions and subscriptions	89,833	89,089
Operational assistance	82,176	81,287
Uncollectible accounts	3,482	36,772
Board and committee expenses	18,050	22,570
Other	203,432	167,730
	\$ 2,318,283	\$ 2,258,952

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

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Utah League of Credit Unions and Subsidiary  
December 31, 2015 and 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Purpose

The Utah League of Credit Unions (the League) is a non-profit organization that was formed for the purpose of rendering political, educational, technical and promotional services and support to member credit unions located within the State of Utah.

### Principles of Consolidation

The consolidated financial statements include the accounts of the League and its wholly-owned subsidiary, Credit Union Service Corporation – Utah (the Service Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, primarily from 3 to 15 years. Leasehold improvements are depreciated over the term of the lease or the life of the leasehold improvement, whichever is shorter. The carrying value of property and equipment is periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from individual assets is less than its carrying value.

### Membership Dues and Service Fees

Membership dues are billed to each member credit union annually and are recognized as income in the period for which they are billed. Service fees are recognized as income in the period in which the services are provided.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Concentration of Credit Risk

All cash balances maintained by the League at separate banks are insured by the National Credit Union Administration up to \$250,000 in each institution. At December 31, 2015, the League's uninsured amount in those institutions was \$485,013. Financial instruments, which potentially subject the Company to concentrations of credit risk include accounts receivable. Three accounts comprised 69% and 83% of the League's receivables at December 31, 2015 and 2014, respectively.

### Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from estimates that were assumed in preparing the financial statements.

### Financial Statement Presentation

The League follows the Not-For-Profit Entities topic of FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the League is required to present a statement of cash flows.

### Fair value of Financial Instruments

The Company has adopted FASB ASC 820, "Fair Value Measurements". This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported for cash, accounts receivable, other current assets, account payable, and accrued liabilities approximated fair value because of the short maturity of those instruments. The accounts receivable are considered to be fully collectible, accordingly, no allowance for doubtful accounts has been recorded. Investments are not publicly traded and are carried at cost.

### Accounts Receivable

The League, in the normal course of business, extends credit to its customers on a short-term basis. Although the credit risk associated with these customers is minimal, the League routinely reviews its accounts receivable balances and makes provisions for doubtful accounts, if needed. The League ages its receivables by date of invoice. The League expensed \$3,482 and \$36,772 in 2015 and 2014, respectively that the League determined uncollectible.

### **Tax-exempt Status**

The Utah League of Credit Unions is tax-exempt organization under Internal Revenue Code Section 501 and, as such, is not subject to income taxes on net income from exempt purposes. Credit Union Service Corporation is a taxable entity under Subchapter C of the Internal Revenue Code and, as such, is taxable on its net taxable income from activities.

### **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Recently Issued Accounting Standards**

The FASB established the Accounting Standards Codification ("Codification" or "ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of the financial statements in accordance with generally accepted accounting principles in the United States ("GAAP").

Recent Accounting Standard Updates ("ASU") through ASU no. 2016-08 contains technical corrections to existing guidance or effects guidance to specialized industries. These recent updates have no current applicability to the League or their effect on the financial statements would not have been material.

### **Subsequent Events**

The League has evaluated subsequent events for the period December 31, 2015 through the date its consolidated financial statements were available for issue on April 5, 2016, and concluded there were not transactions occurring during this period that required recognition or disclosure in its consolidated financial statements.

## **2. INCOME TAXES**

The League is a non-profit tax exempt organization under Section 501(C) (6) of the Internal Revenue Code. The Service Corporation is a taxable entity. Income taxes are provided for the tax effects of transaction reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of depreciable assets for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Certain items of income and expense are recognized for income tax purposes in different periods from those in which such items are recognized for financial reporting purposes, including depreciation and amortization, and gain on disposition of fixed assets. Deferred income taxes provide for the income tax effect of the timing differences. The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain expenses are not deductible for tax purposes.

The provision for federal and state income taxes for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Current		
Currently receivable	\$ (9,555)	\$ 3,927
Deferred	-	(2,648)
Total provision for income tax (benefit) expense	<u>\$ (9,555)</u>	<u>\$ 1,189</u>

The League's deferred tax assets at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets	\$ 62,079	\$ 48,323
Deferred tax liabilities	(2,929)	(2,929)
Valuation allowance	(24,610)	(10,854)
Net deferred tax assets (liabilities)	<u>\$ 34,540</u>	<u>\$ 34,540</u>

### 3. INVESTMENTS IN AFFILIATES

In accordance with FASB ASC 325-20-50-1, the Company has accounted for their investments in affiliates at cost. The Company determined that it is not practicable to estimate the fair value of the investments due to no identified events or changes in circumstances that have had a significant adverse effect on the value of the investments.

Investments in affiliates for the years ended December 31, 2015 and 2014 consisted of the following:

	2015	2014
<b>Investment in Credit Union House LLC:</b>		
In April 2000, the League acquired an interest in Credit Union House LLC, a limited liability company, at a cost of \$75,000. The interest is not publicly traded and the investment is carried at cost, representing a 1.74% ownership.	\$ 75,000	\$ 75,000
<b>Investment in Provo Postal Credit Union:</b>		
In December 2012 the League acquired a "secondary capital account" which is committed for a period of seven years bearing interest at 3.5%. The account is subject to certain possible operating losses of Provo Credit Union and is subordinate to all other claims on the assets of the credit union. Investment is carried at cost.	50,000	50,000
<b>Investment in CU Cooperative Systems, Inc.:</b>		
The CU Cooperative Systems, Inc. Investment was acquired in April 2007. The stock is not publicly traded and the investment is carried at cost.	20,000	20,000
<b>Investment in CUNA Strategic Services, Inc. (CSSI):</b>		
The CSSI investment was acquired in January 2000. The stock is not publicly traded and the investment is carried at cost.	17,517	17,517
	<u>\$ 162,517</u>	<u>\$ 162,517</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2015	2014
Furniture and equipment	\$ 199,288	\$ 518,839
Automobiles	110,561	101,451
Leasehold improvements	-	18,248
	<u>309,849</u>	<u>638,538</u>
Less: accumulated depreciation	(81,215)	(538,940)
Property and equipment, net	<u>\$ 228,634</u>	<u>\$ 99,598</u>

Depreciation expense was \$37,332 and \$26,464 for the years ended December 31, 2015 and 2014, respectively.

### 5. RELATED PARTY TRANSACTIONS

The League acts as agent or intermediary for the 100% For Kids Utah Credit Union Education Foundation (the Foundation). The Foundation owed the League \$46,410 and \$56,708 at December 31, 2015 and 2014, respectively. Certain officers of the League also serve on the executive committee of the Foundation.

## 6. COMMITMENTS

### Operating Leases:

The League's office space lease expired June 30, 2005. The League continued to lease the office space obligation month-to-month through May 31, 2015 when they took possession of office space located at 455 East 500 South, Suite 400, Salt Lake City, Utah 84111. The lease is considered an operating lease and expires in 15 years with three 5 year optional renewal terms. Rent is charged to expense over the lease term as it becomes payable at a rate of \$14,692 per month. Rent expense under current operating lease agreements was \$173,236 and \$128,259 for the years ended December 31, 2015 and 2014, respectively. Upon the commencement of the lease, the League made a one-time payment of \$406,283 that will be amortized on a straight-line basis, and paid evenly over the original lease term. Prepaid rent that will expire in 2016 is reflected in prepaid expenses in the amount of \$27,086 with the remaining \$365,654 reflected in other assets on the consolidated statements of financial position.

As of December 31, 2015, future minimum lease payments under operating lease agreements are as follows:

2016	\$	176,301
2017		176,301
2018		176,301
2019		176,301
2020		176,301
Thereafter		1,674,903
	\$	<u>2,556,408</u>

## 7. EMPLOYEE RETIREMENT PLANS

Commencing January 1, 2008, the League adopted a defined contribution plan under IRC Section 401(K). All employees at least 21 years of age who have completed six months of service are eligible to participate. Participants may contribute a specified percentage of eligible gross compensation. A 5% employer matching contribution is required, and an additional 4% contribution may be made at the discretion of the League's governing board. The employer contribution made during 2015 and 2014 was \$66,989 and \$64,466, respectively.

Commencing June 5, 2011, the League adopted a non-qualified SERP for the President/CEO (the "executive"). The plan provides a retirement benefit based on 10 percent of Executive's Annual Compensation together with 6 percent per annum on the accumulating balance beginning with year 2004. The Executive becomes 25 percent vested at five year intervals and 100 percent vested at age 62. Certain forfeiture rules apply to events occurring prior to vesting. The potential unfunded liability under this plan totaled \$371,825 at December 31, 2015 which includes an amount of \$170,886 for years before 2011.

In accordance with the SERP agreement, during the year ended December 31, 2016 there will be a payout to the Executive in the amount of \$92,956. This amount has been reflected in the current liabilities section of the consolidated statements of financial position.

# 2015 Year End Statistics

Credit Union	President	Year-end assets	Members	Charter
Alpine	Paul Atkinson	\$166,625,247	21074	State
America First	John Lund	\$7,181,010,913	743771	Federal
American United Family Of Credit Unions	Michelle Thorne	\$173,116,174	18132	Federal
Associated Federal Employees	Spring Jensen	\$29,761,930	3090	Federal
Bailey Inc. Employees	Joyce McDonald	\$811,531	424	State
Beckstrand and Associates	Mariam Behashti	\$274,830	20	State
Box Elder County	Scott Webre	\$105,700,705	13101	Federal
Chartway *	Brian Schools	\$2,150,110,888	180220	Federal
City Center	Scott Johnson	\$7,764,970	1169	State
CUP	Annette Elmer	\$6,042,696	1323	Federal
Cyprus	Todd Adamson	\$723,542,017	96055	Federal
Deseret First	Shane London	\$505,500,402	55921	Federal
Desertview	Michael Nelson	\$32,457,628	5228	Federal
Devils Slide	Jill Carrigan	\$10,576,734	1466	Federal
Dugway	Michael Lefevre	\$3,388,529	705	Federal
Eastern Utah Community	Mike Milovich	\$113,138,398	11809	Federal
Education 1st	Kent Greenfield	\$27,601,692	3353	State
Employees First	Kenneth McDaniel	\$1,830,781	720	State
Firefighters	Thomas Gourdin	\$35,661,195	3512	State
Freedom	Ken Payne	\$28,798,866	3432	State
Gibbons and Reed Employees	Bill Christopherson	\$4,928,766	1616	Federal
Goldenwest	Kerry Wahlen	\$1,129,059,339	106031	Federal
Grand County	Sam Crane	\$24,009,025	3535	State
Granite	Lynn Kuehne	\$379,334,254	32004	Federal
Granite Furniture Employees	Ralph Jenkins	\$640,617	155	Federal
Grantsville	Melanie Allred	\$4,329,029	1467	Federal
Health Care	Scot Baumgartner	\$70,664,054	7761	State
Hercules	Brett Blackburn	\$62,543,395	4775	State
Hi-land	Blair Asay	\$46,639,156	2890	State
HollyFrontier Employee's	Meagan Nattress	\$6,531,137	961	State
Horizon Utah	Randy Gailey	\$125,883,621	10974	Federal
Jordan	Lindsey Merritt	\$239,808,642	26099	Federal
Kings Peak	Ron Wood	\$12,360,683	2521	State
Local Union 354 IBEW	Linda Perschon	\$21,817,354	2490	Federal
Logan Cache Rich	Ann Godfrey	\$21,670,265	2639	Federal
Logan Medical	Dale Howe	\$19,519,134	2290	Federal
Meadow Gold Employees	Lynn Nelson	\$4,632,263	617	State
Members First	Brad Barber	\$104,183,993	14983	State

Credit Union	President	Year-end assets	Members	Charter
Midvalley	Linda Buell	\$5,778,351	438	Federal
Millard County	Steve Shiner	\$30,779,345	5469	State
Mountain America	Sterling Nielsen	\$5,077,886,756	565805	Federal
National JAACL	Dean Hirabayashi	\$30,132,204	3846	State
Nebo	Dale Phelps	\$75,390,373	10463	State
Nephi Western Employees	Judy Truscott	\$30,356,036	3780	Federal
North Sanpete	Jessica Clare	\$1,004,382	448	Federal
Operating Engineers Local Union #3 *	Mike Donohue	\$963,570,603	74038	Federal
Orem City Employees	Thomas Phelps	\$3,422,627	784	Federal
P&S	Stewart Mouritsen	\$13,956,271	1970	State
Pacific Horizon	Steve Clayson	\$49,742,837	7090	State
Presto Lewiston Employees	Gaylene Stone	\$313,559	166	State
Provo Police & Fire Dept.	Sheldon Lindsay	\$2,796,616	965	State
San Juan	Sherrill Patterson	\$17,070,910	4247	State
SEA	Will Jolley	\$4,536,657	871	State
Security Service *	Jim Laffoon	\$9,237,936,319	725473	Federal
South Sanpete	Jake Hill	\$768,624	174	State
Sunnyside	Alicia Fivecoat	\$2,989,848	602	State
Tanner Employees	Kevin Louder	\$5,734,687	800	State
Teamsters Local #222	Alisa Morrill	\$2,678,231	796	Federal
Transwest	Bret Higby	\$121,550,284	11844	State
Tri-County	Nick Reynolds	\$152,457	85	State
UCB	Trina Tuakoi	\$1,258,182	273	State
Uintah	Dan Olsen	\$3,355,988	1085	State
Unify Financial *	Gordon Howe	\$2,173,989,886	186055	Federal
University First	Jack Buttars	\$771,648,902	84478	Federal
Utah	Doug Huntsman	\$18,328,033	2050	Federal
Utah Community	Jeff Sermon	\$1,053,290,390	128788	Federal
Utah First	Darin Moody	\$269,006,214	20219	Federal
Utah Heritage	Donald Watson	\$56,864,127	7707	State
Utah Power	Dennis Hymas	\$565,064,601	26038	State
Utah Prison Employees	Kristine Argyle	\$3,726,651	1366	State
Valley Wide	Monica Marchant	\$475,004	166	Federal
Varian	Tammy Phillips	\$13,157,902	1285	Federal
Wasatch Peaks	Blake Burrell	\$274,539,466	30815	Federal
Weber State	Vickie Van der Have	\$100,021,136	9201	Federal

\* Denotes a credit union not domiciled in Utah, but that operates branches in Utah. As with all credit unions on this list, data given is for the entire credit union, not just the credit union's operations in Utah.

# Minutes of the 81st Annual Business Meeting

## Utah Credit Union Association

Davis Conference Center

May 1, 2015

Chairman Mike Milovich welcomed all attendees to the 81st Annual Business Meeting of the Utah Credit Union Association at 9:00 a.m.

Chairman Milovich called the meeting to order at 9:00 a.m.

### Report of the Credentials Committee

Judy Jackson and Jodi Kuehne served on the credentials committee. They reported that there were 23 registered delegates with 24 credit unions represented.

Chairman Milovich asked that if any delegates had items of business to bring before the group during the course of the meeting, that they step up to the microphone and state their name and credit union. He then introduced Bruce Richards, legal counsel, who had agreed to assist with parliamentary procedure in this meeting. Liz White, in the absence of objection, was appointed recording secretary.

Chairman Milovich introduced the members of the board. Board members present:

- Dean Hirabayashi, National JAAC Credit Union
- Ken Payne, Freedom Credit Union
- Randy Gailey, Horizon Credit Union
- Todd Adamson, Cyprus Credit Union
- Michael Milovich, Eastern Utah Community Credit Union
- Thomas Gourdin, Firefighters Credit Union
- Jim Hofeling, Jordan Credit Union
- John Lund, America First Credit Union
- Kent Greenfield, Education 1st Credit Union
- Brad Barber, Members First Credit Union.
- Excused Sterling Nielson, Mountain America Credit Union

Chairman Milovich recognized the guests:

- Cindy Maxwell, Brandt Petersen, and Kevin Schlangen from Alloya
- Arleen Erikson, Alan Corsey, and Brye Austin from CUNA Mutual.

### Approval of minutes

Chairman Milovich presented the minutes of the 80th Annual Business Meeting, which were contained in the 2014 Annual Report for review. There were no objections, additions, deletions, or corrections.

*John Spease with America First Credit Union, motioned to accept and dispense with reading. Vickie Van der Have with Weber State Credit Union, seconded. Motion carried.*

Included in the Annual Report was a report from each committee chair. Chairman Milovich thanked the committee members and chairs for their work and dedication throughout the past year. Without objection, the reports are filed as received.

*Dale Phelps with Nebo Credit Union, made a motion to accept the reports as written. Suzanne Oliver with Mountain America Credit Union seconded. Motioned Carried.*

### Member Voting

Changing the official name of the Association to Utah Credit Union Association. Entertain a motion to adopt amendment.

*Rene Clarke with Eastern Utah Community Credit Union made a motion to approve the name change, Lynn Kuehne with Granite Credit Union seconded. No objections, motioned carried.*

A one-time adjustment of the board seat allocations, along with an index to ensure ongoing adjustment to market conditions. Dennis Hymas with Utah Power Credit Union wanted a clarification on one of the seat allocations.

*Dennis Hymas with Utah Power Credit Union made a motion to adopt the amendment. John Spease with America First Credit Union seconded. No objections, motioned carried.*

Last amendment authorizing the board to adopt a common dues formula for multi-state credit unions, should one be brought forward by AACUL/CUNA. Lynn Kuehne with Granite Credit Union asked if we are only speaking of dues with this amendment or if it is full membership with governance? Scott clarified it is for a full membership and they would have access to the board. A discussion took place regarding the amendment.

*John Spease with America First made a motion to approve. Kent Greenfield with Education 1st Credit Union seconded. A vote took place with 10 approvals and 13 votes against. The motioned failed.*

## **Report of the Nominating Committee**

Chairman Milovich gave the time to, Dean Hirabayashi chairman of the nominating committee. He reported that the committee received four properly-filed candidates: All four were incumbents.

*Ann Brinkerhoff with CUP Federal Credit Union, moved to accept the candidates by acclamation. Blaine Goodell with Wasatch Peaks Credit Union, seconded. Motion carried.*

Chairman Milovich called for a discussion of unfinished business. There was none to discuss.

## **Report of CUNA Mutual**

Chairman Milovich asked Brye Austin from CUNA Mutual to provide a report. Brye thanked the Association and Board for inviting them to the Business Meeting. One in three Americans have gone into collection in the past 10 years and they feel credit unions are a good financial alternative for middle America. In 2014 they paid 8.5 million in claims and over 4 million in reimbursements.

## **Report of Alloya**

Chairman Milovich asked Brandt Pertersen from Alloya Corporate Credit Union to provide a report. He thanked the Association, board and all Utah Credit Unions for choosing Alloya and inviting them to be here today.

## **Report of Chairman of the Board**

Chairman Milovich had no report.

## **Report of the President**

Chairman Milovich asked the president of the Association, Scott Simpson, to give a report.

Scott gave a brief explanation of the Ready. Set. Vote. campaign. Scott feels the campaign was quite successful, as a result credit union members influenced the elections. 2014 was a great year for credit union members, Utah reached 2 million members last year. The Association is moving offices in 2015, to 445 East 500 South in Salt Lake City.

He then concluded his report and turned time back to Chairman Milovich.

## **Other Business**

Chairman Milovich called for a discussion of unfinished business. Lynn Kuehne came to the microphone to discuss indirect lending. He would like the Board to keep discussing the issue in the future.

## **Meeting adjournment**

Chairman Milovich thanked President Simpson and concluded the meeting at 9:59 a.m.

